

STATEMENT

Insurance Association of Connecticut

General Law

March 6, 2012

SB 315, An Act Prohibiting The Unnecessary Collection of Social Security Numbers

While the Insurance Association of Connecticut supports protecting individuals' private information like social security numbers, the IAC is opposed to SB 315, as drafted, as it is overly broad in its application and unnecessary.

As drafted SB 315's very broad scope would unnecessarily limit the insurance industry's use of social security numbers for what are valid and necessary purposes. SB 315's prohibition of businesses requesting and collecting individual's social security numbers will impair the insurance industry's ability to comply with both federal and state compliance requirements that are not exempted under SB 315's provisions. Under the Medicare system, insurers are required to report eligibility information. The insurance industry, subject to the U.S. Patriot Act requirements, is required to know who its customers are for security purposes. The use of the social security number is the best tool to meet those requirements. However SB 315's exemptions do not apply to such uses of social security numbers as they are not mandated by an actual law but are necessary for compliance.

Additionally SB 315's exemptions are not broad enough to keep SB 315 from having a direct detrimental effect on the legitimate operations of insurers. The insurance industry uses social security numbers routinely in its day-to-day internal operations. For example, the social security number of a deceased relative is one of the best pieces of information an insurer can use if the family does not have the policy information of the decedent. Also a person's birth date and social security number are usually required to request a motor vehicle operator's report. Likewise many internal fraud detection tools are tied to social security numbers. It will be an extremely costly venture for the industry to develop other ways of providing these services, some of which will be impossible.

The Gramm-Leach-Bliley Act's (GLB) exemption in SB 315 only applies to transactions subject to GLB's provision. However, the fact is that It is the entity that is subject to GLB's provisions, not the transaction. Likewise, it is the entity subject to the Fair Credit Report Act's provisions, not the transaction. GLB's provisions, and other state and federal privacy laws, already set strict requirements that the insurance industry must adhere to when using sensitive information, like social security numbers. Additionally, Connecticut already has a law, C.G.S. Sec. 42-470, that places tight restrictions on the use and disclosure of social security numbers. As such, SB 315 is unnecessary.

The Insurance Association of Connecticut urges your rejection of SB 315 as written. However, should SB 315 move forward, the insurance industry should be exempt from SB 315's provisions.